



ECONOMICS & MARKETS RESEARCH

AUSTRALIAN ECONOMICS TOOLBOX

16 JULY 2010

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CONTRIBUTORS

Warren Hogan, Chief Economist, Australia
+61 2 9227 1562
Warren.Hogan@anz.com

Katie Dean, Senior Economist
+61 3 9273 1381
Katie.Dean@anz.com

Amber Rabinov, Senior Economist
+61 3 9273 4853
Amber.Rabinov@anz.com

Riki Polygenis, Senior Economist
+61 3 9273 4060
Riki.Polygenis@anz.com

Tom Kenny, Senior Economist
+61 2 9227 1741
Tom.Kenny@anz.com

Shane Lee, Senior Economist
+61 2 9227 4632
Shane.Lee@anz.com

David Cannington, Economist
+61 3 9273 4274
David.Cannington@anz.com

Andrew Dowman, Research Analyst
+61 3 9273 6881
Andrew.Dowman@anz.com

Andrew McManus, Analyst Economics
+61 2 92271742
Andrew.McManus@anz.com

DATA UPBEAT, BUT SPARE CAPACITY REMAINS

- **Domestic data released this week were generally upbeat**, with July consumer sentiment surging and May housing finance picking up. June business confidence failed to recover, however this pre-dated the compromise reached on mining taxes, and surveyed actual business conditions improved.
- **Chinese economic data disappointed market consensus expectations**, with Q2 GDP growth easing to 10.3% YoY, CPI falling to 2.9% YoY and retail sales and industrial production slowing. In our view though, fears of a major slowing are overdone with **China returning to a more sustainable growth path**. This is a positive medium-term for Australian commodity prices and exports. It should also help to offset a weaker US outlook, with the FOMC this week downgrading its US GDP forecasts, and recent data suggesting growth slowed in the latter half of Q2.
- The importance of commodity prices to the Australian economy was highlighted by a **Federal Government Budget Update**. Despite a revenue loss of A\$7.5bn stemming from the new mining tax proposal, a higher terms of trade forecast meant that budget balance forecasts have been revised up by \$4.9bn over the next four years. The Budget is still expected to return to surplus in 2012-13.
- **The outlook for the Australian economy remains for solid**, but below trend economic growth over the coming year. Measures of capacity utilisation and the output gap suggest that there will be ample spare capacity over the next 12 months. As such, building inflationary pressures stemming from capacity constraints look to be more of a 2011/2012 story, with underlying inflation to ease back in coming quarters before rising back above 3% by late 2011.
- Under these circumstances, **we believe there is little urgency for the RBA to hike rates in the next few months, even if upcoming Q2 inflation figures surprise to the upside**. As our Data Preview on page 5 explores, our central case forecast is for **headline Q2 inflation of 0.8% QoQ and 3.3% YoY and for underlying inflation of 0.7% QoQ and 2.8% YoY**.

THE WEEK AHEAD

- In **Australia**, markets will be closely looking for clues as to the timing of the RBA's next move in the minutes of the July board meeting and a speech by Governor Glenn Stevens on 'Some Long-Run Effects of the Financial Crisis'. Other key data include NAB Business Confidence (Q2) and Trade Price Indices (Q2).
- The **US** data focuses on the housing sector next week with June housing starts, building permits and existing home sales. The data are likely to be weak as the expiration of a first-buyer bonus works its way through the sector. The focus in **Canada** will be on the Bank of Canada's monetary policy decision as markets look for another rate rise. The wording around this decision may give some insight into the pace of rate hikes back towards more 'normal' levels.
- In the **Euro zone**, trade balance, current account and industrial new orders data for May will be closely followed to assess business conditions in the region and how the depreciation of the Euro has helped exporters. The focus in the **UK** will be on retail sales data for June as markets look for signs that the consumer can drive growth after the tough austerity measures were announced in the emergency budget. Q2 GDP figures come out on Friday, with markets again focussing on any pick up from the private sector as public sector stimulus will be reduced going forward. Also look out for the minutes from the last BoE policy meeting.
- In **Asia**, the **Japanese** market will be closed on Monday in a week that is light on data releases. Markets will have a week to digest this week's deluge of **Chinese** data, with no new data to be released.

Riki Polygenis
Senior Economist
+61 3 9273 4060
Riki.Polygenis@anz.com

DATA UPBEAT, BUT SPARE CAPACITY REMAINS

- Domestic and Chinese data out this week were consistent with our recent thinking that exports and investment are on track to remain the key drivers of Australian growth. The outlook for interest-rate sensitive sectors of the economy, particularly household spending and housing construction is less certain, although this week's consumer sentiment and housing finance data was certainly encouraging.
- Despite our relatively solid growth outlook overall, measures of capacity utilisation and the output gap suggest that there will be ample spare capacity for the next 12 months. As such, building inflationary pressures stemming from capacity constraints are more of a 2011/2012 story.
- Under these circumstances, we believe there is little urgency for the RBA to be hiking rates in the next few months, even if upcoming Q2 inflation figures surprise to the upside (see Data Preview on page 5 for further details).

UPBEAT DOMESTIC DATA

Australia economic data released this week were generally upbeat. **In particular, the expected impetus to growth from business investment appears on track, with surveyed business conditions improving** by 2 points in June to an index level of 8, above the long-run average of 6 for the series. While business confidence eased off a touch to an index level of 4, this was prior to the compromise deal reached on mining taxation and we would expect confidence to step up in the July survey.

The risks to consumer spending, which has been patchy so far this year, also seem to be shifting a little to the upside. DEWR Skilled Vacancies improved by 0.3% in July, pointing to further labour market improvement, and consumer confidence surged by 11.1% to 113.1. Consumer sentiment has now recovered much of the ground lost in May and June to be above its long-run average of 106.4. Readings on family finances and time to buy a household item also increased sharply in the month. We are mindful however that the July survey (which was conducted between 5-11 July) may have included a temporary bounce from the change in Prime Minister and the new mining tax proposal. The minimum wage rise and income tax cuts also came through in July. We would thus like to see the July bounce consolidated in August.

Housing finance data for May were also more positive, with the value of approvals rising 0.7% in the month, driven by a 2.6% growth in investor approvals, and the number of owner-occupier approvals rising by 1.9%. This improvement suggests that the rapid falls in housing finance that we've seen since late-2009 may be behind us. Nevertheless, the poor performance of building approvals in recent months has prompted us to downgrade our outlook for dwelling investment, which is now likely to detract from growth through much of 2011.

CHINESE DATA DISAPPOINTS MARKETS, BUT IS IT REALLY BAD NEWS?

A swag of Chinese data released this week showed that economic momentum is Australia's largest trading partner is slowing. Chinese GDP 'slowed' from 11.9% YoY in Q1 to 10.3% in Q2, slightly weaker than market expectations, and annual CPI fell from 3.1% to 2.9% YoY, against expectations of a rise. Retail sales and industrial production data also slowed to 18.3% and 13.7% YoY respectively. While this has generated concern in some quarters, particularly the slowdown in industrial production in terms of the commodities outlook, our China research team has a more positive interpretation. Their view is that fears of a major slowdown in China are overdone. Indeed with GDP growth still well above potential (in the order of 9% to 9.5%) and inflation pressures still on the radar, a convergence towards potential growth is more sustainable in the long run. As such, we view an orderly slowdown as an overall positive for the medium-term commodities outlook and Australian exports, even if it does create some short-term volatility.

The importance of commodity prices for the Australian economy was particularly well highlighted this week in the Australian Government's Budget Update. Indeed, an upgrade to commodity price forecasts this week saw the Australian

Government upgrade its budget balance over the coming four years by \$4.9bn (see Figure 1 below). The terms of trade is now expected to rise by 17% in 2010-11, driving nominal GDP up 9¼%. Such 'parameter variations' (changes in spending or revenue projections arising from changes in economic assumptions) are expected to add A\$10.5bn to the budget bottom line between 2010-11 and 2013-14. This has conveniently offset a A\$7.5bn decrease in revenue estimates due to the changed mining tax arrangements from those announced at budget time. (Of the A\$10.5bn, A\$6bn will be generated under the new tax regime due to higher commodity price forecasts, meaning the 'net impact' of the new taxation arrangements when forecast changes are included is A\$1.5bn as the Government announced a few weeks ago).

FIGURE 1. UNDERLYING CASH BALANCE

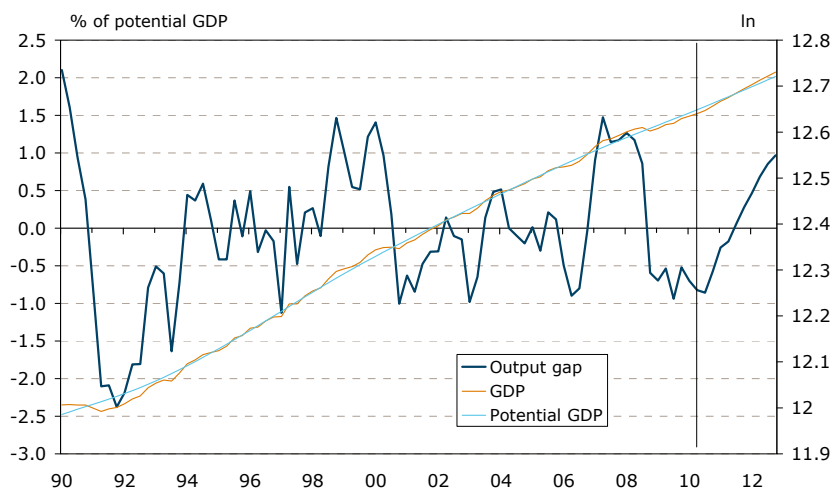
	2010-11 (F)	2011-12 (F)	2012-13 (P)	2013-14 (P)
Budget Update (July 2010)				
A\$bn	-40.4	-10.0	3.1	4.8
% of GDP	-2.8	-0.7	0.2	0.3
Budget 2010-11 (May 2010)				
A\$bn	-40.8	-13.0	1.0	5.4
% of GDP	-2.9	-0.9	0.1	0.3

Source: Federal Government Economic Statement, July 2010

AMPLE SPARE CAPACITY

Bringing all this together, our forecasts for GDP remain for growth to pick up moderately in H2 with YoY growth of 2.7% by the end of 2010. Growth will then accelerate more sharply through 2011 to 3.8% YoY by the end of 2011 as business investment really picks up steam. Note this is a slight downgrade from our earlier forecasts due to the weaker dwelling investment track. These forecasts are broadly similar to the Government's forecasts for the next two years. If this growth path is correct, our analysis suggests that **Australia will have a negative output gap with real GDP below potential GDP until September 2011** (See Figure 2 below).

FIGURE 2: AUSTRALIA'S OUTPUT GAP

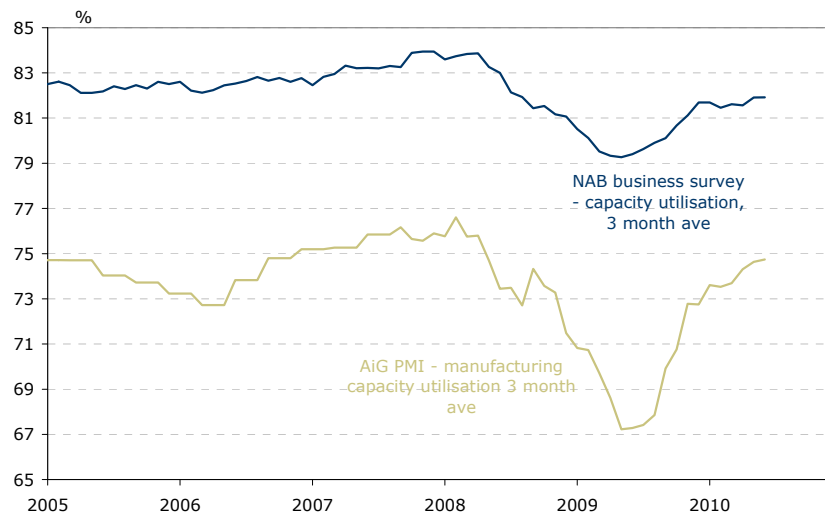


Sources: ABS, ANZ

IN FOCUS

Other measures of spare capacity are also consistent with this view; for instance, while capacity utilisation has improved according to the NAB Monthly Business Survey, it still remains well below the 2007-2008 peaks (see Figure 3 below). This suggests that **there is still adequate spare capacity in the Australian economy overall (despite some pockets of stress in the labour market)** and likely inflationary pressures stemming from capacity constraints are more of a 2011/2012 story. This is consistent with our current view that underlying inflation will ease back to 2.7% by mid 2011 before accelerating to 3.4% by early 2012 (see Data Preview on page 5 for more detail on our CPI forecasts).

FIGURE 3: CAPACITY UTILISATION



Sources: NAB, AiG

With this in mind, it will be necessary for the RBA to return the cash rate to a more 'neutral' level as GDP growth returns towards trend. However, with demand unlikely to outstrip supply overall for some time, **there is no immediate rush for the RBA to step in, even if Q2 CPI surprises to the upside on 28th July**. Rate rises are therefore unlikely until late this year.

Shane Lee
Senior Economist
+61 2 9226-4632
Shane.Lee@anz.com

AUSTRALIAN CPI Q2 PREVIEW

OUTLOOK REMAINS GOOD NEAR TERM, BUT LONGER TERM RISKS ARE EMERGING

HEADLINE: 0.8%QOQ, 3.3%YOY

UNDERLYING: 0.7%QOQ, 2.8%YOY

We expect the headline CPI to rise by 0.8% in the quarter taking the inflation rate to 3.3%.

Tobacco prices probably rose by 10% after the excise was raised by 25% on 30th April and we estimate that this will add 0.24%pts to the quarterly increase in the CPI. Petrol rises probably rose by 2.2%, while accessories and clothing services (4.8%), financial services (1.7%) and meat and seafood (1.9%) all posted modest gains. Fruit and vegetable prices fell by 7% and clothing (-1.0%), and holiday travel (-1.0%) and AV equipment (-0.5%).

FIGURE 1: BOTTOM UP Q210 CPI FORECAST

ITEM	WEIGHT	QUARTERLY CHANGE	WEIGHTED CONTRIBUTION
Dairy and related products	1.2	0.9	0.01
Bread and cereal products	1.7	0.8	0.01
Meat and seafood	2.4	1.9	0.05
Fruit and vegetables	2.1	-7.0	-0.15
Non-alcoholic drinks and snack food	2.0	1.0	0.02
Meals out and takeaway foods	4.6	0.9	0.04
Other food	1.5	0.8	0.01
Alcoholic drinks	4.4	0.7	0.03
Tobacco	2.4	10.0	0.24
Men's clothing	0.8	-1.0	-0.01
Women's clothing	1.4	-1.0	-0.01
Children's and infants' clothing	0.4	3.2	0.01
Footwear	0.6	-1.0	-0.01
Accessories and clothing services	0.7	4.8	0.03
Rents	5.2	0.9	0.05
Utilities	3.1	-0.3	-0.01
Other housing	11.2	0.9	0.10
Furniture and furnishings	3.1	-0.4	-0.01
Household appliances utensils and tools	1.8	0.8	0.01
Household Supplies	2.9	0.9	0.03
Household Services	1.8	0.8	0.01
Health services	3.6	1.5	0.05
Pharmaceuticals	1.1	-0.9	-0.01
Private motoring			
Motor vehicles	4.9	-0.5	-0.02
Automotive fuel	3.8	2.2	0.08
Motor vehicle repair and servicing	2.0	0.8	0.02
Motor vehicle parts and accessories	0.7	0.7	0.00
Other motoring charges	1.0	0.8	0.01
Urban transport fares	0.7	0.7	0.01
Communication	3.3	0.4	0.01
Audio, visual and computing	2.9	-0.5	-0.01
Books, newspapers and magazines	0.9	0.6	0.01
Sport and other recreation	3.7	0.6	0.02
Holiday travel and accommodation	4.1	-1.0	-0.04
Education	2.7	0.5	0.01
Financial services	7.8	1.7	0.13
Insurance services	1.5	1.7	0.03
All Groups			0.76

We expect the underlying CPI rose by 0.7% in the quarter. This quarterly change would slow underlying inflation to 2.8%, just below the top of the target band. In its May Statement on Monetary Policy the RBA expected underlying inflation to be 2.75% by Q210, which implies expectations of a 0.6% increase in Q2. This appears a little optimistic in our view.

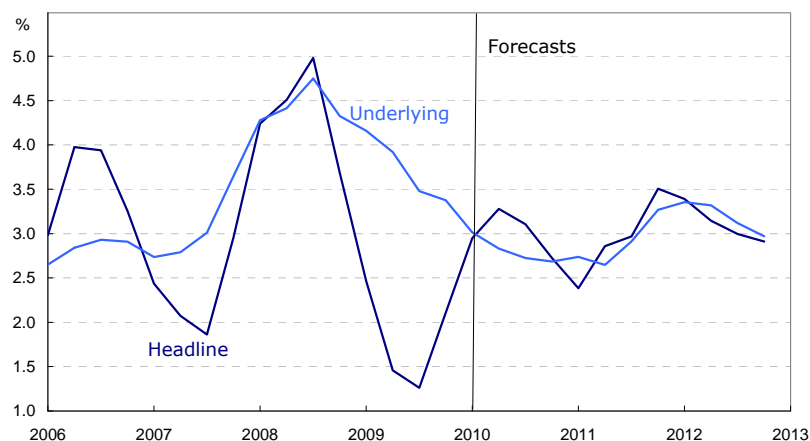
The Bank had forecast headline inflation to be 3.25% in Q2 at the May Statement, but it has since backed away from. At the June Board Meeting the Bank stated that "Inflation appears likely to be in the upper half of the target zone over the next year. However, at the July Board Meeting the Bank stated that the "rate of CPI increase is likely to be a little above 3 per cent in the near term, due to the effects of increases in tobacco taxes announced earlier in the year and significant increases in prices for utilities."

Movements in the terms of trade are the wild card in the longer term inflation outlook. While it will take some time for the recent large increases in both iron ore and coal to trickle down through the economy, it will eventually add significantly to both income growth, demand and price pressures.

Moreover, the next phase in investment growth is likely to put strains on the labour market, particularly in construction and mining. While the outlook for investment outside mining is soft at this stage and this may help temper broader wage pressures in the near term, the risk is that it accelerates and puts broader pressure on the labour market. Indeed, the fall in the unemployment rate in May to 5.1% from 5.4% and the strong jobs growth in June +46k suggest this may be occurring earlier than previously envisaged.

We expect underlying inflation to ease back a touch to 2.7% by the middle of next year before it rises to 3.4% by early 2012 and then eases back to the top of the target band by the end of 2012. We expect headline inflation to slow to 2.5% by Q111. We forecast it to then rise to 3.5% by Q411 before it eases back to the top of the target band by the end of 2012.

FIGURE 2: INFLATION FORECASTS



Sources: ABS, ANZ

Our longer term forecasts are underpinned by GDP growth averaging 2.8% in 2010, 3.6% in 2011 and 3.9% in 2012. We assume current oil prices and exchange rates over the forecast period, a pick up in wages growth (national accounts measure) from 1.0% (Q110) to 5% by the end of 2012. We assume productivity growth will slow from 2.2% to 0% by the end of 2011 before a modest rebound back to 1.9% by the end of 2012.

DATA & EVENT CALENDAR

DATE	COUNTRY	DATA/EVENT	PERIOD	ANZ	MARKET	LAST	GMT
18-Jul	NZ	Performance Services Index	JUN	nf	na	-	-
19-Jul	JP	Market Closed for Marine Day Holiday					
	EU	ECB Euro-Zone Current Account sa	MAY	nf	na	-5.1B	08:00
		Euro-Zone Current Account nsa	MAY	nf	na	-6.9B	08:00
		Construction Output sa MoM	MAY	nf	na	-0.3%	09:00
		Construction Output WDA YoY	MAY	nf	na	-6.1%	09:00
	UK	Rightmove House Prices MoM	JUL	nf	na	0.3%	23:01
		Rightmove House Prices YoY	JUL	nf	na	5.0%	23:01
	US	NAHB Housing Market Index	JUL	nf	16	17	14:00
		Fed's Duke Gives Welcoming Remarks at CRA Hearing					13:00
	CA	Int'l Securities Transactions	MAY	nf	na	12.360B	12:30
20-Jul	AU	Reserve Bank's Board Minutes	JUL	nf	na	-	01:30
		RBA's Stevens Speaks (Some Long-Run Effects of the Financial Crisis)					03:05
	JP	Leading Index CI	MAY F	nf	na	98.7	05:00
		Coincident Index CI	MAY F	nf	na	101.2	05:00
		Convenience Store Sales YoY	JUN	nf	na	-3.2%	07:00
	GE	Producer Prices MoM	JUN	nf	0.2%	0.3%	06:00
		Producer Prices YoY	JUN	nf	1.2%	0.9%	06:00
	UK	Public Finances (PSNCR)	JUN	nf	na	12.0B	08:30
		Public Sector Net Borrowing	JUN	nf	na	16.0B	08:30
		M4 Money Supply MoM	JUN P	nf	na	0.0%	08:30
		M4 Money Supply YoY	JUN P	nf	na	2.8%	08:30
		Major Banks Mortgage Approvals	JUN	nf	na	51K	08:30
		CBI Trends Total Orders	JUL	nf	na	-23	10:15
		CBI Business Optimism	JUL	nf	na	24	10:15
	US	Housing Starts	JUN	nf	577K	593K	12:30
		Housing Starts MoM	JUN	nf	-2.8%	-10.0%	12:30
		Building Permits	JUN	nf	570K	574K	12:30
		Building Permits MoM	JUN	nf	-0.7%	-5.9%	12:30
		ABC Consumer Confidence	JUL 18	nf	na	-44	21:00
		Fed's Tarullo Testifies on Financial Regulation in Senate					14:00
	CA	Bank of Canada Rate	JUL 20	nf	0.75%	0.5%	13:00
21-Jul	NZ	Visitor Arrivals	JUN	nf	na	1.0%	22:45
		New Zealand Net Migration sa	JUN	nf	na	250.0	22:45
		Credit Card Spending sa MoM	JUN	nf	na	1.9%	03:00
		Credit Card Spending YoY	JUN	nf	na	3.4%	03:00
	AU	Westpac Leading Index MoM	MAY	nf	na	0.0%	00:30
		AOFM auctions \$500m of May 2021 bonds					
	JP	Cabinet Office Monthly Economic Report		-	-	-	-
	UK	Bank of England Minutes		-	-		08:30
	US	MBA Mortgage Applications	JUL 16	nf	na	-2.9%	11:00
		Bernanke Gives Monetary Policy Report to Senate Banking					14:00
	CA	Wholesale Sales MoM	MAY	nf	0.3%	-0.3%	12:30
22-Jul	NZ	ANZ Consumer Confidence Index	JUL	nf	na	122.0	03:00
		ANZ Consumer Confidence MoM	JUL	nf	na	-3.2%	03:00
	AU	NAB Business Confidence	Q2	nf	na	-	-
		RBA Foreign Exchange Transactn	JUN	nf	na	446M	01:30
	EU	PMI Composite	JUL A	nf	na	56	07:00
		PMI Manufacturing	JUL A	nf	55.1	55.6	07:00
		PMI Services	JUL A	nf	55.0	55.5	07:00

DATA & EVENT CALENDAR

DATE	COUNTRY	DATA/EVENT	PERIOD	ANZ	MARKET	LAST	GMT
22-Jul	EU	Industrial New Orders sa MoM	MAY	nf	na	0.6%	09:00
Cont.		Industrial New Orders sa YoY	MAY	nf	na	21.8%	09:00
		Euro-Zone Consumer Confidence	JUL A	nf	-17	-17	14:00
	GE	PMI Manufacturing	JUL A	nf	58.0	58.4	07:30
		PMI Services	JUL A	nf	54.5	54.8	07:30
	UK	Retail Sales Ex Auto Fuel MoM	JUN	nf	na	0.5%	08:30
		Retail Sales Ex Auto Fuel YoY	JUN	nf	na	3.4%	08:30
		Retail Sales w/Auto Fuel MoM	JUN	nf	0.6%	0.6%	08:30
		Retail Sales w/Auto Fuel YoY	JUN	nf	1.1%	2.2%	08:30
	US	Initial Jobless Claims	JUL 17	nf	460K	429K	12:30
		Continuing Claims	JUL 10	nf	na	4681K	12:30
		RPX Composite 28dy Index	MAY 31	nf	na	192.52	13:00
		RPX Composite 28dy YoY	MAY	nf	na	2.36%	13:00
		Existing Home Sales	JUN	nf	5.20M	5.66M	14:00
		Existing Home Sales MoM	JUN	nf	-8.1%	-2.2%	14:00
		House Price Index MoM	MAY	nf	-0.3%	0.8%	14:00
		Leading Indicators	JUN	nf	-0.3%	0.4%	14:00
		Bernanke Gives Monetary Policy Report to House Panel					13:30
	CA	Retail Sales MoM	MAY	nf	0.5%	-2.0%	12:30
		Retail Sales Less Autos MoM	MAY	nf	0.5%	-1.2%	12:30
23-Jul	AU	Import price index QoQ	Q2	nf	na	0.3%	01:30
		Export price index QoQ	Q2	nf	na	3.8%	01:30
		AOFM auctions \$800m of June 2016 Bonds					
	JP	Japan Buying Foreign Bonds	JUL 16	nf	na	¥697.2B	23:50
		Japan Buying Foreign Stocks	JUL 16	nf	na	¥139.5B	23:50
		Foreign Buying Japan Bonds	JUL 16	nf	na	¥208.7B	23:50
		Foreign Buying Japan Stocks	JUL 16	nf	na	¥163.6B	23:50
		All Industry Activity Index MoM	MAY	nf	na	1.8%	04:30
	GE	IFO - Business Climate	JUL	nf	101.5	101.8	08:00
		IFO - Current Assessment	JUL	nf	102.4	101.1	08:00
		IFO - Expectations	JUL	nf	101.3	102.4	08:00
	EU	ECB's Gonzalez-Paramo Speaks in San Sebastian					7:15
	UK	GDP QoQ	Q2 A	nf	0.6%	0.3%	8:30
		GDP YoY	Q2 A	nf	1.0%	-0.2%	8:30
		Index of Services (3mth/3mth)	MAY	nf	na	0.6%	8:30
		BBA Loans for House Purchase	JUN	nf	na	36709	8:30
	CA	Consumer Price Index MoM	JUN	nf	na	0.3%	11:00
		Consumer Price Index YoY	JUN	nf	na	1.4%	11:00
		CPI Core MoM	JUN	nf	na	0.3%	11:00
		CPI Core YoY	JUN	nf	na	1.8%	11:00

FIVE WEEKS AT A GLANCE

MONDAY	TUESDAY	WEDNESDAY	THURSDAY	FRIDAY
26 JULY AU: PPI (Q2) US: New Home Sales (Jun), Dallas Fed Manuf. Activity (Jul)	27 JULY EU: Euro-Zone M3 (Jun) US : Richmond Fed Manuf. Index (Jul), Consumer Confidence (Jul)	28 JULY NZ: Business Confidence (Jul), RBNZ Official Cash Rate, Trade Balance (Jun), Imports (Jun), Exports (Jun) AU: Consumer Prices (Q2) JP: Retail Trade (Jun) GE: CPI (Jul P) US: MBA Mortgage Applications (Jun), Durable Goods Orders (Jun)	29 JULY NZ: Building Permits (Jun) JP: CPI (Jul), Jobless Rate (Jun), Industrial Production (Jun) EU: Business Climate Indicator (Jul), Indust. Confidence (Jul), Consumer Confidence (Jul) GE: Unemployment Rate (Jul) UK: Mortgage Approvals (Jun), Net Consumer Credit (Jun) US: Fed's Beige Book CA: Industrial Product Price (Jun)	30 JULY AU: Private Sector Credit (Jun) JP: Housing Starts (Jun) EU: Unemployment Rate (Jun) US: GDP (Q2 A), Personal Consumption (Q2 A), Core PCE (Q2 A), U. of Michigan Confidence (Jul F), Employment Cost Index (Q2) CA: GDP (May)
2 AUGUST NZ: ANZ Commodity Price (Jul) AU: TD Securities Inflation (Jul), JP: Vehicle Sales (Jul) CH: HSBC Mfg PMI (Jul) EU: PMI Mfg (Jul) GE: PMI Mfg (Jul) UK: PMI Mfg (Jul) US: Construction spending (Jun)	3 AUGUST AU: RBA CASH TARGET , Building Approvals (Jun) JP: Monetary Base (Jul) EU: PPI (Jun) UK: PMI Construction (Jul) US: Personal Income (Jun), Factory Orders (Jun)	4 AUGUST AU: Trade Balance (Jun) EU: PMI Services (Jul), PMI Composite (Jul), Retail Sales (Jun) GE: PMI Services (Jul) UK: PMI Services (Jul) US: MBA Mortgage Applications (Jul 30)	5 AUGUST NZ: Unemployment Rate (Q2), Employment Change (Q2), Employment Change (Q2) EU: ECB Announces Interest Rates GE: Factory Orders (Jun) UK: BOE ANNOUNCES RATES US: Initial Jobless Claims (Jul 24) CA: Building Permits (Jun)	6 AUGUST AU: RBA Quarterly Monetary Policy Statement GE: Industrial Production (Jun) UK: PPI (Jul), Industrial Production (Jun) US: Change in Nonfarm Payrolls (Jul), Unemployment Rate (Jul) CA: Unemployment Rate (Jul)
9 AUGUST AU: Home Loans (Jul), Business Confidence (Jul) JP: Current Account Total (Jun), Bank Lending (Jul), Trade Balance (Jun) GE: Trade Balance (Jun) UK: RICS House Price Balance (Jul) CA: Housing Starts (Jul)	10 AUGUST JP: BOJ Target Rate GE: CPI (Jul) US: FOMC Rate Decision , Nonfarm Productivity (Q2), Wholesale Inventories (Jun)	11 AUGUST AU: Consumer confidence (Aug) JP : Machine Orders (Jun) CH : PPI (Jul), CPI (Jun), Retail Sales (Jun), UK: Jobless Claims Change (Jul), UE Rate (Jun), Bank of England Quarterly Inflation Report US: Trade Balance (Jun)	12 AUGUST NZ: Business PMI (Jul), Food Prices (Jul) AU: UE Rate (Jul) JP: Industrial Production (Jun), Consumer confidence (Jul) EU: Industrial Production (Jun) US: Initial Jobless Claims (Aug 7)	13 AUGUST NZ: House Sales (Jul), Retail Sales (Jun) EU: GDP (Q2) GE: GDP (Q2) US: CPI (Jul), Advanced Retail Sales (Jul), Consumer Confidence (Aug)
16 AUGUST AU: New Motor Vehicle Sales (Jul) JP: GDP (Q2), Tertiary Industry Index (Jun) EU: CPI (Jul)	17 AUGUST EU: Zew Survey (Econ. Sentiment) (Aug) GE: Zew Surveys (Econ. Sentiment and Current Situation) (Aug) UK: CPI (Jul), RPI (Jul)	18 AUGUST AU: DEWR Skilled Vacancies (Aug), Leading Index (Jun) UK: Bank of England Minutes US:	19 AUGUST NZ: Producer Prices (Q2), ANZ Consumer Confidence Index (Aug) UK: Retail Sales (Jul)	20 AUGUST NZ: Visitor Arrivals (Jul), Credit Card Spending (Jul) JP : All Industry Activity Index (Jun) UK: M4 Money Supply (Jul)
23 AUGUST EU: Consumer Confidence (Aug A)	24 AUGUST EU: Industrial New Orders (Jun) GE: GDP (Q2 F) US: Existing Home Sales (Jul), ABC Consumer Confidence (Aug 22) CA: Retail Sales (Jun)	25 AUGUST AU: Construction Work Done (Q2) JP: Merchandise Trade Balance (Jul) US: Mortgage Applications (Aug 20), Durable Goods Orders (Jul), New Home Sales (Jul)	26 AUGUST EU: Eurozone M3 (Jul) US : Initial Jobless Claims (Aug 21)	27 AUGUST JP: CPI (Aug), Jobless Rate (Jul) GE: CPI (Aug) UK: GDP (Q2 P) US: GDP (Q2 S)

CENTRAL BANK RELEASES FOR 2010

JANUARY	FEBRUARY	MARCH	APRIL
6th – FOMC Minutes 7th – BoE 14th – ECB 19th – BoC 20th – BoE Minutes 25-26th – BoJ 27th – FOMC 28th – RBNZ	2nd - RBA 4th – BoE 4th – ECB 5th – RBA MP Statement 16th – RBA Minutes 17th – BoE Minutes 17th – FOMC Minutes 17-18th – BoJ 18th – ECB 23rd – BoJ Minutes	2nd – BoC 2nd - RBA 4th – BoE 4th – ECB 11th – RBNZ 11th – RBNZ MP Statement 11th – SNB 16th – FOMC 16th – RBA Minutes 17th – BoE Minutes 16-17th – BoJ 18th – ECB 23rd – BoJ Minutes	6th - RBA 6-7th – BoJ 8th – BoE 8th – ECB 12th – BoJ Minutes 20th – BoC 20th – RBA 21st – BoE Minutes 22nd – ECB 28th – FOMC 29th – RBNZ 30th – BoJ
MAY	JUNE	JULY	AUGUST
4th - RBA 6th – ECB 7th – RBA MP Statement 10th – BoE 10th – BoJ Minutes 18th – RBA Minutes 19th – BoE Minutes 20th – ECB 20-21st – BoJ 26th – BoJ Minutes	1st – BoC 1st - RBA 10th – BoE 10th – ECB 10th – RBNZ 10th – RBNZ MP Statement 14-15th – BoJ 15th – RBA Minutes 17th - SNB 18th – BoJ Minutes 23rd – BoE Minutes 23rd - FOMC 24th - ECB	6th - RBA 8th – BoE 8th – ECB 20th – RBA Minutes 20th – BoC 21st – BoE Minutes 22nd – ECB 29th - RBNZ	3rd - RBA 5th – BoE 5th – ECB 6th – RBA MP Statement 10th – FOMC 17th – RBA Minutes 18th – BoE Minutes
SEPTEMBER	OCTOBER	NOVEMBER	DECEMBER
2nd – ECB 7th - RBA 8th – BoC 9th – BoE 16th – ECB 16th – RBNZ 16th – RBNZ MP Statement 16th - SNB 21st – RBA Minutes 21st - FOMC 22nd – BoE Minutes	5th - RBA 7th – BoE 7th – ECB 19th – RBA Minutes 19th – BoC 20th – BoE Minutes 21st – ECB 28th - RBNZ	2nd - RBA 3rd - FOMC 4th – BoE 4th – ECB 5th – RBA MP Statement 16th – RBA Minutes 17th – BoE Minutes 18th - ECB	2nd – ECB 7th - RBA 9th – BoE 9th – RBNZ 9th – RBNZ MP Statement 14th – FOMC 16th – ECB 16th - SNB 21st – RBA Minutes 22nd – BoE Minutes

***Notes:** Entries are the dates of central bank interest rate announcements for 2010, unless specified as minutes or otherwise.

Dates are indicative only and are subject to change by central bank authorities.

BoJ data are available only to June.

Key: BoC: Bank of Canada, BoJ: Bank of Japan, BoE: Bank of England, ECB: European Central Bank, FOMC: Federal Open Market Committee, RBA: Reserve Bank of Australia, RBNZ: Reserve Bank of New Zealand, SNB: Swiss National Bank

Source: Central bank websites.

FORECASTS

AUSTRALIAN ECONOMIC INDICATORS	2009	2010 F	2011 F	2012 F
Economic activity (annual % change)				
Private final demand	0.7	2.5	4.6	5.1
Household consumption	1.6	2.5	1.9	1.7
Dwelling investment	-4.6	4.9	1.8	2.3
Business investment	-0.8	1.7	14.1	16.1
Public demand	3.3	11.4	4.0	1.9
Domestic final demand	1.3	4.5	4.4	4.4
Inventories (contribution to GDP)	-0.5	0.6	0.0	-0.1
Gross National Expenditure (GNE)	0.7	5.1	4.4	4.3
Exports	1.4	2.1	6.0	7.3
Imports	-7.8	13.7	10.5	10.8
Net Exports (contribution to GDP)	2.0	-2.4	-1.2	-1.1
Gross Domestic Product (GDP)	1.3	2.7	3.6	3.8
Prices and wages (annual % change)				
Inflation:				
Headline CPI	1.8	3.0	2.9	3.1
Underlying *	3.7	2.8	2.9	3.2
Wages	3.6	3.3	4.0	4.2
Labour market				
Employment (annual % change)	0.3	2.6	2.2	2.0
Unemployment rate (annual average %)	5.6	5.2	4.9	4.8
External sector				
Current account balance: A\$bn	-52.7	-50.3	-62.0	-90.7
% of GDP	-4.2	-3.7	-4.2	-5.8

* Average of RBA weighted median and trimmed mean statistical measure.

AUSTRALIAN INTEREST RATES	CURRENT	SEP 10 F	DEC 10 F	MAR 11 F	JUN 11 F	SEP 11 F
RBA cash rate	4.50	4.50	5.00	5.25	5.50	5.75
90 day bill	4.82	4.85	5.30	5.60	6.00	6.0
3 year bond	4.54	4.90	5.10	5.50	5.70	6.00
10 year bond	5.12	5.40	5.50	5.70	5.80	6.00
3s10s yield curve	0.58	0.50	0.40	0.20	0.10	0.00
3 year swap	5.04	5.30	5.50	5.90	6.10	6.40
10 year swap	5.61	5.95	6.05	6.25	6.35	6.55
INTERNATIONAL INTEREST RATES	CURRENT	SEP 10 F	DEC 10 F	MAR 11 F	JUN 11 F	SEP 11 F
RBNZ cash rate	2.75	3.25	3.50	3.75	4.25	4.8
NZ 90 day bill	3.23	3.67	3.75	4.17	4.67	5.17
US Fed funds note	0.25	0.25	0.25	0.25	0.25	0.5
US 2 year note	0.59	0.80	1.00	1.20	1.50	2.00
US 10 year note	2.98	3.20	3.20	3.30	3.30	3.60
Japan call rate	0.10	0.10	0.10	0.10	0.10	0.10
ECB refinance rate	1.00	1.00	1.00	1.00	1.00	1.00
UK repo rate	0.50	0.50	0.50	0.50	0.50	0.75

For additional information on interest rates please refer to ANZ's *Interest Rate Strategy Weekly*.

FORECASTS

FOREIGN EXCHANGE RATES	CURRENT	SEP 10 F	DEC 10 F	MAR 11 F	JUN 11 F	SEP 11 F
Australian exchange rates						
A\$/US\$	0.8768	0.88	0.90	0.92	0.94	0.94
NZ\$/US\$	0.7213	0.70	0.71	0.72	0.73	0.73
A\$/¥	76.26	83.6	86.4	89.2	92.1	94.0
A\$/€	0.6784	0.73	0.76	0.81	0.84	0.84
A\$/£	0.5685	0.60	0.62	0.62	0.62	0.61
A\$/NZ\$	1.2156	1.26	1.27	1.28	1.29	1.29
A\$/C\$	0.9131	0.87	0.87	0.88	0.88	0.90
A\$/CHF	0.9143	1.03	1.07	1.11	1.16	1.18
A\$/CNY	5.9401	5.92	5.97	6.03	6.16	6.12
A\$ Trade weighted index	68.65	70.9	73.3	75.4	76.6	76.4
International cross rates						
US\$/¥	86.99	95.0	96.0	97.0	98.0	100.0
€/US\$	1.2923	1.21	1.18	1.14	1.12	1.12
€/¥	112.41	115	113	111	110	112
£/US\$	1.5422	1.46	1.46	1.49	1.52	1.54
€/£	0.8379	0.83	0.81	0.77	0.74	0.73
US\$/C\$	1.0415	0.99	0.97	0.96	0.94	0.96
US\$/CHF	1.0428	1.17	1.19	1.21	1.23	1.25
US\$ index	82.41	87.8	89.1	90.9	91.7	92.1
Asia exchange rates						
US\$/CNY	6.7747	6.73	6.63	6.55	6.55	6.51
US\$/HKD	7.7705	7.78	7.75	7.75	7.75	7.75
US\$/IDR	9054	9500	9900	10000	9700	9500
US\$/INR	46.71	48.7	50.4	50.7	49.0	48.50
US\$/KRW	1201	1270	1345	1390	1320	1275
US\$/MYR	3.2070	3.35	3.45	3.50	3.40	3.4
US\$/PHP	46.318	47.3	48.8	49.5	48.0	47.3
US\$/SGD	1.3753	1.43	1.47	1.50	1.45	1.4
US\$/THB	32.230	32.90	33.90	34.30	33.50	33.00
US\$/TWD	32.117	32.50	33.30	33.70	32.70	32
US\$/VND	19095	19000	19000	19000	20000	20000
Pacific exchange rates						
PGK/US\$	0.3597	0.395	0.386	0.372	0.358	0.34
FJD/US\$	0.5124	0.507	0.508	0.514	0.517	0.51

IMPORTANT NOTICE

Australia and New Zealand Group Limited is represented in:

AUSTRALIA

Australia and New Zealand Banking Group Limited
 ABN 11 005 357 522
 ANZ Centre Melbourne, Level 9, 833 Collins Street, Docklands
 Victoria 3008, Australia
 Telephone +61 3 9273 5555 Fax +61 3 9273 5711

UNITED KINGDOM BY:

Australia and New Zealand Banking Group Limited
 ABN 11 005 357 522
 40 Bank Street, Canary Wharf, London, E14 5EJ, United Kingdom
 Telephone +44 20 3229 2121 Fax +44 20 7378 2378

UNITED STATES OF AMERICA

ANZ Securities, Inc. is a member of FINRA (www.finra.org) and registered with the SEC.
 277 Park Avenue, 31st Floor, New York, NY 10172,
 United States of America
 Tel: +1 212 801 9160 Fax: +1 212 801 9163

NEW ZEALAND BY:

ANZ National Bank Limited
 Level 7, 1-9 Victoria Street, Wellington, New Zealand
 Telephone +64 4 802 2000

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